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Terry Goddard Files Fraud Suit Against Virtual Realty

(Phoenix, Ariz. – June 2, 2005) Attorney General Terry Goddard and Bank Superintendent Richard Houseworth today filed suit against Virtual Realty Company, Virtual Realty Funding Company, and their owner Kenneth D. Perkins, alleging the companies misled homeowners into signing over their homes. The company's Tucson agent, James Busche, was also named in the lawsuit.

According to court documents filed in Maricopa County Superior Court, beginning in 2003 Virtual Realty Funding Company began advertising through newspaper classified ads, the Internet and direct mail that the company could assist homeowners who were behind in their mortgage payments from losing their homes.

Company sales representatives led homeowners to believe that they could help save their homes, but in fact the transactions offered by VRF were structured so that homeowners would transfer title to VRF or sell the home to a business associate of VRF.

"This case represents the worst in our community," Goddard said. "This company's end game was to get the house. They took advantage of homeowners desperate to save their homes from foreclosure, and deceived them into turning over their homes. In order for homeowners to keep their homes, they had to pay an outrageous sum, and many lost their homes because of VRF's deceptive sales tactics."

Court documents allege that VRF targeted Spanish-speaking communities, and applied high-pressure tactics to convince homeowners to sign densely worded legal documents the homeowners often did not understand. In some cases the VRF representative refused to allow the homeowner to read the documents before signing, making the homeowner dependant on the VRF representative's explanation.

The VRF representatives did not tell homeowners they were deeding their homes to the company, and if the homeowner failed to meet any requirement of the agreement, the home could be sold. The homeowners believed the company would help keep their homes and their possessions.

The Sale/Repurchase Agreement required the homeowner to rent his/her home back from VRF for a monthly rental equal to the monthly mortgage payment plus an additional amount. In the case of one homeowner, the monthly mortgage payment was \$613 and the additional amount was \$157, making a monthly rental payment of \$770.

In addition to the rental payment, the homeowners were also required to make a deposit payment. In return for “helping” the homeowners keep their homes, VRF agreed to transfer title back to the homeowner through a warranty deed if the homeowner met specific conditions. These included the payment of all rent on time and, prior to a specified date, payment to VRF for bringing the mortgage current, unspecified escrow fees and a “funding fee,” which was at times as high as \$4,000.

The lawsuit alleges the following:

- Violation of the Arizona Consumer Fraud Act by falsely advertising and selling foreclosure assistance products and services.
- Violation of the Debt Management Companies Act by contracting with homeowners through a Sale/Repurchase Agreement where VRF acted as a debt management company. VRF is not licensed as a debt management company.
- Violation of the Mortgage Brokers and Mortgage Bankers Act. VRF acted as an unlicensed mortgage broker and/or mortgage banker.

The Attorney General's Office is asking the Maricopa County Superior Court to:

- Prohibit VRF and its owners from violating the Arizona Consumer Fraud Act, the Arizona Debt Management Companies Act and the Arizona Mortgage Brokers and Mortgage Bankers Act.
- Require the defendants to return to all the victims any money or property acquired through deceptive practices.
- Impose a penalty of up to \$10,000 for each violation of the *Arizona Consumer Fraud Act*.
- Require the defendants to reimburse the Attorney General and the Arizona Superintendent of Banks for costs of the investigation and reasonable attorneys' fees.

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